

# COMPENSATION AND RETIREMENT ISSUES INCLUDED IN HB 30

---

Michael Jay

January 16, 2014

Compensation and Retirement Subcommittee

House Appropriations Committee

# VRS Rates

- Rates included in HB 30 for the retirement programs are consistent provisions of Chapter 823 of the 2012 Virginia Acts of the Assembly which phases-in the VRS Board certified rates by FY 2019
- VRS Board certified rates assume 7.0% Rate of Return, 2.5% Cost of Living Adjustment and 30 year closed amortization period for actuarial accrued liability as of 2013
  - New funding policy will treat future year unfunded liabilities differently

VRS Program	FY 2014 Chapter 806	VRS Board Certified	Phased-In Rates for HB 30
State Employees Retirement	8.76%	15.80%	12.33%
Teachers Retirement	11.66%	18.20%	14.50%
SPORS	24.74%	32.93%	27.63%
VALORS	14.80%	21.74%	18.24%
JRS	45.44%	57.84%	51.66%
State Employee – Retiree Health Credit	1.00%	1.17%	1.17%
Teacher – Retiree Health Credit	1.11%	1.18%	1.18%
State Employee Group Life Insurance	1.19%	1.32%	1.32%
Teacher – Group Life Insurance	0.48%	0.53%	0.53%
VSDP	0.47%	0.62%	0.62%

# HB 30 - VRS Contribution Rates

## (GF Impact in Millions)

Retirement System	FY 2015	FY 2016
State Employee Retirement	\$75.6	\$75.6
State Employee OPEBs	\$10.5	\$10.5
Teachers Retirement	\$80.7	\$81.9
Teachers OPEBs	\$3.5	\$3.5
Other Local Employees - OPEBs	<u>\$1.2</u>	<u>\$1.2</u>
<b>Total</b>	<b>\$171.5</b>	<b>\$172.7</b>

# Targeted Salary Action For State Employees

- Paragraph 255.B of Chapter 806 convened a work-group led by the Secretary of Finance and the Secretary of Administration to review State Employee Compensation. The language:
  - Required the workgroup to submit initial recommendations by November 1, 2013 and a final report by June 30, 2014
  - Required the work group to give priority to a review of public safety personnel compensation and to a review of compensation for deputy clerks in district courts
- HB 30 proposes \$9.0 million GF in FY 2015 and \$10.3 million GF in FY 2016 to provide targeted 2% base compensation adjustments to 19 state employee classes in the judicial, public safety, and health care fields that have the highest turnover levels

# Turnover and Average Salary By Position

- The average salary for all classified state employees is \$44,278 and the FY 2013 turnover rate was 7.65% excluding retirements and layoffs

<u>Job Role</u>	FY 2013 Turnover	Average Salary Northern VA	Average Salary Rest of the State
Law Enforcement Officer I	10.12%	\$46,450	\$37,652
Security Officer I	9.76%	\$30,942	\$25,352
Security Officer III	15.17%	\$39,652	\$33,440
Direct Service Associate I	17.14%	\$26,661	\$21,834
Direct Service Associate II	22.36%	\$30,273	\$24,795
Direct Service Associate III	14.11%	\$39,041	\$30,477
Probation Officer Asst	12.35%	\$38,160	\$31,285
Housekeeping &/or Apparel Worker I	9.92%	\$28,319	\$21,240
Emergency Coordinator I	13.39%	\$46,450	\$37,652
Emergency Coordinator II	11.90%	\$30,942	\$25,352

Note: FY 2013 Turnover rate does not include retirements and layoffs

# Turnover and Average Salary By Position

(continued)

- The average salary for all classified state employees is \$44,278 and the FY 2013 turnover rate was 7.65% excluding retirements and layoffs

<u>Job Role</u>	FY 2013 Turnover	Average Salary Northern VA	Average Salary Rest of the State
Registered Nurse I	14.71%	\$53,951.06	\$49,922.47
Registered Nurse II/CNP/PA	19.19%	\$64,236.05	\$58,070.67
Licensed Practical Nurse	20.27%	\$41,982.38	\$37,734.96
Therapy Assistant/Therapist I	12.33%	\$44,281.50	\$39,974.25
Therapist II	16.26%	\$46,878.83	\$43,806.14
Compliance/Safety Officer II	15.87%	\$50,635.33	\$36,260.84
District Court Deputy Clerk, Grade 6	30.56%		* \$26,558
District Court Deputy Clerk, Grade 7	12.83%		* \$29,241
District Court Deputy Clerk, Grade 8	12.67%		* \$31,788

\* Judicial data not broken out by region

Note: FY 2013 Turnover rate does not include retirements and layoffs

# Targeted Salary Actions: Constitutional Offices

## Sheriffs and Regional Jails

- Proposes \$4.7 million GF each year for a two percent salary adjustment for entry level deputy sheriff positions (grade 7 and 8) working in either a sheriff's office or as a correctional officer in a regional jail
  - This action would increase the starting salary for grade 7 positions from \$29,081 per year to \$29,662. The starting salary for grade 8 positions would increase from \$31,876 to \$32,422

## Circuit Court Clerks

- Proposes \$430,789 GF each year for a 4% salary increase for Circuit Court Deputy Clerk I positions, and a 2% salary increase for Circuit Court Deputy Clerk II positions

## Prohibition Against Supplanting Language

- Language is included, for both the deputy sheriffs and the deputy clerks, which states localities cannot use the funding for the salary adjustments to “supplant local funds”

# Commonwealth's Attorneys

## Commonwealths Attorney's

- Provides \$2.1 million GF each year to provide a \$3,308 salary increase for all Assistant Commonwealth's Attorneys
  - The is the second installment of the two year plan to increase the starting salary to \$52,000 over the two years (a \$3,308 raise was authorized for FY 2014)
  - In addition to the \$3,308 adjustment in FY 2014 assistant Commonwealth's Attorneys received the 2% salary adjustment
    - The increase for FY 2015 would increase the starting salary to \$52,909

# Career Development Programs

- Provides \$770,513 GF each year for the career development programs to expand the career development programs.
  - There are currently a significant number of employees who have met the criteria to receive the salary supplement but are not receiving the supplement due to funding
  - Proposed funding was intended to include all of that were eligible for the supplement in the Treasurers and Commissioners of Revenue offices as of November 2013
  - Funding is not sufficient to include all deputy sheriffs and assistant commonwealth's attorneys who meet the criteria for the programs
    - An additional \$1.6 million each year would be needed to fund all eligible employees

Career Development Program	New Funding Per Year	Impacted Employees
Deputy Sheriffs	\$390,575	117 *
Assistant Commonwealth's Attorney	\$109,425	9 *
Commissioners of Revenue	\$132,509	16
Deputy Commissioners of Revenue	\$57,319	96
Treasurers	\$12,303	2
Deputy Treasurers	\$68,383	33

\* Are approximates based on the amount of funding provided

# State Employee Health Insurance

- Proposes \$24.3 million GF in FY 2015 and \$58.9 million GF in FY 2016 for increased premiums for the state employee health insurance program
  - The funding assumes a 5% premium increase in FY 2015 and 7% increase in FY 2016
  - Policy changes assumed for FY 2015 include:
    - Waiving Tier 1 and 2 co-pays for asthma and antihypertensive medications
    - Establishing an on-site state employee clinic near Capitol Square
    - Increasing co-pays by \$5 for Tier 2 to 4 prescriptions filled at retail
    - Increasing co-pays by \$10 for Tier 2 to 4 prescriptions filled by mail
    - Implement Value Based Insurance Design plan changes
- Includes \$350,000 GF each year for premium increases for the University of Virginia Health insurance program
  - Funding provided is the lesser of the cost of the state employee plan or the UVA plan

# Line of Duty Program

## Line of Duty

- Annual line of duty premium reflects a short-term decrease per potentially-eligible employee from \$522 in FY 2014 to \$519 per eligible in FY 2015 and 2016 related to the front-loading of a repayment of a the loan from the group life insurance program
  - HB 30 includes savings \$17,072 GF each year as a result
  - The actual premium directly related to the cost of the line of duty benefit is proposed to increase 12% in FY 2015 and 10% in FY 2016
- HJ 103 (Chairmen Jones) would direct JLARC to study the Line of Duty Act

## Projected Annual Premium Per Potential Eligible

	FY 2013	FY 2014	FY 2015	FY 2016
Ongoing Program Cost	\$347.15	\$372.79	\$417.94	\$458.89
Repayment of Loan	<u>126.99</u>	<u>149.18</u>	<u>100.9</u>	<u>59.95</u>
Total Premium	\$474.14	\$521.97	\$518.84	\$518.84

\* Loan is scheduled to be totally paid off in FY 2016

# Other Compensation and Benefit Issues

## Workers Compensation Premiums

- HB 30 includes \$1.4 million GF the first year and \$1.8 million the second year for increases in worker compensation premiums

## Funding to Support Analysis of Compensation Issues

- Includes \$800,000 GF in FY 2016, in central appropriations, for JLARC to update their “Review of State Employee Total Compensation” that was completed in 2008.
- Includes \$225,000 GF in FY 2015 and \$175,000 GF in FY 2016 for the Department of Human Resource Management to develop an online employee exit survey and to purchase enhanced analytical software
  - Provides \$50,000 the first year to develop the online survey
  - Proposes \$175,000 GF each year to purchase SAS statistical software

## Funding for New Personnel Management Information System

- Proposes \$2.7 million GF in both FY 2015 and FY 2016 to develop a new personnel management information system
  - The current mainframe system is over 30 years old
  - Second amendment includes \$58,690 GF and \$88,107 NGF each year to fund 1.0 FTE position that would serve as the database administrator for the new system

# Contingent Bonus

- HB 29 and HB 30 include language authorizing a contingent bonus for state employees in FY 2015
  - Bonus to be paid on December 1, 2014
  - Limited to employees working on April 1, 2014, and who continue employment until at least November 24, 2014
  - Language provides for 2% bonus for most employees and additional 1% bonus for employees with evaluations higher than contributor
  - Estimated cost of base 2% bonus is \$53.9 million GF, with the estimated cost of the additional 1% bonus being \$3.5 million GF
  - Bonuses are contingent on June 30, 2014 discretionary general fund balances of at least two times the cost of the proposed bonuses